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Letter dated 24 May 2012 from the Chargé d'affaires a.i. of the Permanent Mission of the Netherlands to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the summary of discussions from the business and industry consultation with government and civil society on the theme "Realizing inclusive and green growth" held in The Hague, the Netherlands, on 11 and 12 April 2012 (see annex).

I would appreciate it if the present letter and its annex could be circulated as a document under item 5 of the agenda of the third session of the Preparatory Committee for the United Nations Conference on Sustainable Development.

(*Signed*) Peter **van der Vliet**
Deputy Permanent Representative
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Annex to the letter dated 24 May 2012 from the Chargé d'affaires a.i. of the Permanent Mission of the Netherlands to the United Nations addressed to the Secretary-General

Summary of discussions from the business and industry consultation with government and civil society on the theme "Realizing inclusive and green growth"[1]

11 and 12 April 2012, The Hague, Netherlands

1. On 11 and 12 April 2012, the Government of the Netherlands, together with the Department for Economic and Social Affairs of the Secretariat of the United Nations and Business Action for Sustainable Development, organized a business and industry consultation with government and civil society, in the context of the United Nations Conference on Sustainable Development (Rio+20) on the theme "Realizing inclusive and green growth". Over 300 leaders from government, business and industry, civil society and other major groups were welcomed to The Hague by the Minister for European Affairs and International Cooperation, Ben Knapen, to discuss the role of business and industry in delivering solutions that could promote inclusive and green economies. The consultation focused on six key topics in the context of the Conference and beyond: (a) the transition to an inclusive and green economy; (b) transparency and alignment; (c) sustainable development governance; (d) water resource efficiency and management; (e) innovative financing models; and (f) the role of small and medium enterprises in global value chains.

Key messages to the Conference

(a) Strong and renewed leadership is urgently required from policymakers. The Conference must highlight the essential role of the private sector in sustainable development, as investors, employers, customers and producers;

(b) Business commits to continue to develop sustainable, inclusive and innovative business models, including metrics, accounting and reporting measures, both independently and through public-private partnerships. Increasingly, global businesses are working to ensure sustainable production, resource efficiency and the sustainable use of natural resources, while providing decent working conditions for all stakeholders in their supply chains;

(c) In order to multiply the contribution of the private sector to inclusive and green growth, business calls upon governments to eliminate or reduce tariff and non-tariff barriers to the trade of products produced sustainably, encourage private investment in sustainable development and establish enabling policy frameworks;

[1] The present document is a summary of the discussions that took place in The Hague on 11 and 12 April 2012. It does not reflect official agreed positions of the organizers.

(d) A timely transition towards inclusive green growth relies strongly on closer collaboration among governments at all levels, business and industry, civil society and all other major groups;

(e) Business cannot succeed in a society that fails, and society cannot achieve sustainability without business providing solutions and without governments providing consistent and enduring policy environments.

2. The private sector has a key role to play in helping to achieve the goals of sustainable development, including poverty eradication. A growing number of companies around the world have already placed sustainability at the forefront of their strategy and as a key element of their business models. They recognize the urgency needed to overcome global environmental, social and economic challenges. Efforts by all actors should reconcile the need for short- and medium-term measures, accompanied by long-term systematic changes. Effective engagement of the private sector in the United Nations Conference on Sustainable Development will be critical to the success of the Conference, and to the implementation of its outcomes.

3. Over the course of two days in The Hague, the participants shared past experiences, best practices, current challenges and proposals for action. The collective knowledge and experience of the group, as well as their vast networks, led to the following conclusions:

(a) Business leaders will continue to act quickly and decisively to drive progress towards sustainable development, and invite collaboration from governments and other stakeholders; too much is at stake to wait for global agreements to be negotiated and agreed upon;

(b) Much has been achieved in the past 20 years. The transition to a sustainable future must now be accelerated, in order for 9 billion people to live well within the limits of the planet by 2050. Solutions must be identified, developed and scaled up to address increasing challenges, and this can only be accomplished through collaborative efforts among stakeholder groups, specifically policymakers, producers and consumers;

(c) Our greatest challenge is to build trust and awareness among all stakeholders. There is an urgent need to drive collaborative action to advance economic growth while enhancing environmental protection and social progress. All stakeholders can contribute to developing and implementing solutions and must find ways to work together. Past growth models will not deliver sustainability;

(d) The Conference offers an opportunity to instil confidence in the private sector in particular, enabling efforts to scale up investment and drive innovation to make all economies green;

(e) The need for a green economy road map and capacity development scheme was outlined by the Government of the Netherlands and the European Union, as a means to identify what, where, when and how various actors can contribute. These ideas have been supported by leaders from across the United Nations system:

> Rio+20 must provide the road map to the future we want — a future with peace, dynamic economic and social development, universal social well-being and a healthy and equitable environment for present and future generations, where women and men, boys and girls, equally contribute to and benefit from development.

The World Business Council for Sustainable Development's "Vision 2050",[2] the United Nations Global Compact Blueprint for Corporate Sustainability Leadership,[3] and the 10 conditions for a transition towards a green economy outlined by the International Chamber of Commerce[4] provide potential building blocks for the construction of such a road map for sustainable development, including essential capacity-building programmes;

(f) There is ample learning to be shared among stakeholders. Knowledge-sharing across borders, regions, sectors and organizations must be fostered. Inclusive and sustainable business models, resource efficiency and innovative technologies can accelerate inclusive green growth. We can start by harmonizing the different vocabularies of the stakeholder groups, and by establishing mechanisms to facilitate capacity-building.

4. Three areas that require immediate attention are innovation, collaboration and governance, as outlined below:

(a) **Innovation**. New combinations addressing the three dimensions of sustainable development will drive the transition to a green economy:

(i) Governments should promote enabling policy frameworks for inclusive and green growth, focusing special attention on technology, innovation, investment, research and development and the elimination of barriers to trade. Clear policies, good governance and public sector financial support for private sector investment (e.g. risk-sharing in critical early phases, catalytic funding), will support development cooperation and economic growth in developing countries;

(ii) As an example in a developed country, the Government of the Netherlands has introduced a new, demand-driven approach based on cooperation and innovation. An integrated agenda has been developed for nine top sectors, including agriculture, energy, water and logistics. Focus areas include knowledge development, technology and innovation (through collaborative input from business, research organizations and government), and links to key policy areas (education, development cooperation, information and communication). Similar approaches could be adopted in other countries;

(iii) Business commits to continue to innovate, bringing solutions to market that support inclusive and green growth;

(iv) Financing remains a major challenge. Governments have a role in the management of institutional funds and in encouraging investors (e.g. banks, pension funds, financial institutions and corporate investors) to make their investment and loan portfolios greener and more inclusive;

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[2] Available from www.wbcsd.org/vision2050.aspx.

[3] Available from www.unglobalcompact.org/HowToParticipate/Business_Participation/blueprint_for_corporate_sustainability_leadership.html.

[4] See http://basd2012.org/wp-content/themes/basd/img/pdf/BASD-inputToRio+20-Nov1.pdf and http://iccwbo.org/uploadedFiles/7%2010%20Conditions%20Green%20Economy_FINAL.pdf.

(v) Resource efficiency will be the key to meeting the future demand for food, feed, fibre, bioenergy/fuel and bioproducts. Resource recovery (e.g. nutrients) and water reuse should be prioritized. This will require investment in research and development, significant infrastructure development to increase efficiency (e.g. reduce post-harvest losses, collection of wastewater and improved wate. treatment) and coherent economic policies to ensure sustainable market functions. Integrated land-use planning will be crucial to ensure higher productivity of resources;

(vi) A global platform for knowledge-sharing, technological development and skills transfer is needed to support innovation. Capacity-building and systems solutions will be required to support the deployment of existing and emerging technologies, particularly in the least developed countries. The information and communications technology sector can play a significant role;

(b) **Collaboration**. The consultation made it clear that multi-stakeholder partnerships are emerging in many different forms, large and small, and that these new models will drive the transition to an inclusive green economy:

(i) Collaborative action and commitment in "green deals" and public-private partnerships is the fastest path towards achieving a vision of 9 billion people living well within the limits of the planet by 2050. These solutions will require transparency, knowledge-sharing and risk-sharing;

(ii) New collaborative models must bring government ministries, other public and multilateral bodies, businesses of all sizes and other stakeholders together, aligning incentives to support a systems approach to sustainability. For example, there are significant synergies to be achieved in coordinated investment in agriculture, energy and water that take into consideration the pressures of climate. Support for innovation and financing of new technologies and proven resource-efficient business models, which are now being explored by many business actors, can help to scale up these technologies and models;

(iii) Inclusiveness is imperative: both the World Business Council for Sustainable Development's "Vision 2050" and the United Nations Global Compact Women's Empowerment Principles point to the importance of women's economic empowerment. Leading companies and governments are promoting smart procurement, adding "gender" and "green" to purchasing criteria in order to provide incentives to suppliers. However, given the systematic bias against inclusiveness, new methods and measures should be considered to ensure that women, youth, indigenous people, underserved populations and other marginalized groups benefit equitably from and contribute to the transition to an inclusive green economy;

(iv) Sustainable value chains that promote micro-, small- and medium-sized enterprises can mainstream inclusive green growth. Small- and medium-sized enterprises are part of global value and supply chains as traditional partners, suppliers or distributors of larger enterprises and are an important source of employment and innovation. Policy frameworks must support efforts to make all value chains green, including enhanced support for small- and medium-sized enterprises;

(v) Consumers play an important role in driving an inclusive green economy. As the Secretary-General's High-level Panel on Global Sustainability suggests,

governments and businesses need to empower and encourage people to make sustainable choices. Promoting sustainable consumption and production and influencing consumer preferences is vital for long-term sustainability;

(c) **Governance**. Governance models and institutional frameworks are needed to provide the context for stakeholders to deliver and report on their shared responsibilities in a green inclusive economy, and to ensure ongoing coordination in policy implementation:

(i) Enabling frameworks must match the integrated nature of the challenges we face and provide complementary, integrated policies to support complex system solutions. These frameworks should support market mechanisms, provide the incentives necessary to break with business-as-usual patterns and generate new momentum towards inclusive and green growth;

(ii) Increased integration of sustainability concepts into mainstream economic activity is needed, including measurement and reporting of sustainability performance for both private and public organizations. For a green economy to become operational, indicators, metrics, accounting measures and appropriate disclosure and reporting must be developed that make sense in economic terms and address social and environmental externalities. Business has already made significant contributions in this area and a policy framework should build upon a wide range of existing tools and applications to measure environmental, social and governance impacts and help assess response measures, such as those of the United Nations Global Compact, the Global Reporting Initiative, the International Chamber of Commerce, the International Integrated Reporting Council or sector approaches (e.g. the chemical industry's "Responsible Care" or the World Business Council for Sustainable Development project "Cement Sustainability Initiative"). Similar approaches must be adopted by other key economic actors, including State-owned enterprises, municipal entities and public sector corporations. At the same time, similar approaches should be aligned with important work under way to develop and harmonize sustainability information at the product level (such as the work of the Sustainability Consortium) and with efforts to measure progress on sustainable development at the national and international levels. In this regard, a coalition of investors and other stakeholder groups represented at The Hague called for a global policy framework requiring all listed and large private companies to consider sustainability issues and to integrate sustainability information within the reporting cycle. They view this as an essential step towards integrating sustainability, financial, governance and management reporting and demonstrating the link between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates;

(iii) Any future governance framework must address the internalization of externalities at all levels, demonstrating that "what is treasured, is measured". A sufficiently high carbon price and market-based pricing mechanisms on resource scarcity and environmental impacts can provide incentives for investment in resource efficiency, remediation and sustainable development in general. Natural resources can no longer be considered to be "free", particularly those that are finite in supply;

(iv) Enabling policy frameworks and governance functions must encourage, support, sustain and protect public-private partnerships;

(v) Business would welcome being more actively involved in the formulation of the post-2015 development framework in relation to the Millennium Development Goals and sustainable development goals.

5. This consultation was initiated to provide inputs for the twentieth anniversary of the United Nations Conference on Environment and Development, at the United Nations Conference on Sustainable Development to be held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, and the conclusions from these sessions should be considered in the deliberation process for the Conference and used to drive concrete action beyond it.

6. The private sector, the public sector and other major groups have to work together to resolve the challenges the world faces. Despite the complexity of the challenges and the solutions, sufficient progress can be achieved through collaboration. The Conference presents an opportunity to promote innovative collaboration among the broad range of actors needed to advance sustainability on a planetary scale.

7. With the right enabling frameworks, safeguards and incentives, the force of private sector investment can be directed towards a systemic change in favour of sustainability. This implies a need for the outcome of the Conference to stimulate innovation, collaboration and governance through enhanced policy frameworks (at the local, national and international levels) as a matter of urgency.

Business and industry major group

Business Action for Sustainable Development is a coalition of leading international business groups who are committed to sustainable development with the overall objective of enhancing the contribution of the United Nations Conference on Sustainable Development to sustainable and inclusive markets. Business Action for Sustainable Development is the official United Nations coordinator of business and industry for Rio+20. For more information, see www.basd2012.org.